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Executive Director

For Additional Information Contact:

Carole D'Elia

Executive Director

(916) 445-2125

Commission Again Calls for Answers on Renewable Energy Costs

The Little Hoover Commission in a letter report sent Friday to Governor Brown and the Legislature renewed its call to bring greater clarity on the aggregated costs and consequences of the energy policies being implemented in California.

The letter is a result of ongoing oversight the Commission committed to in its 2012 report, *Rewiring California: Integrating Agendas for Energy Reform*. As part of this oversight, the Commission held a public hearing in April 2014 to get an update from the administration and key energy organizations, as well as stakeholders, on progress made responding to the concerns raised in the 2012 report.

"Many of the questions and concerns raised in 2012 remain," said Little Hoover Commission Chairman Pedro Nava. "Two years later, California still lacks a comprehensive and prioritized action plan to attain its energy and environmental goals and minimize costs to electricity customers. And we still don't know what all of these energy-related policies, in the aggregate, will cost."

California is undergoing a massive transformation in the way electricity is produced and distributed, from a system predominately powered by fossil fuels to one in which one-third of all electricity will come from renewable energy sources. As California implements policies to achieve its ambitious renewable energy goal, it also is implementing its groundbreaking policies to reduce greenhouse gas emissions. At the same time, California is complying with water quality rules that require retrofitting 17 coastal power plants and the state's only operating nuclear power plant and encouraging expansion of distributed renewable energy, such as rooftop solar.

If these policies are not carefully calibrated, Californians could be unnecessarily burdened with higher electricity rates. Greenhouse gas emissions might increase in the energy sector if new natural-gas-fired peaker plants are needed to quickly replace renewable energy when the sun is not shining and the wind is not blowing.

At the April hearing, a new threat was discussed – the possibility that there will be too much electricity generated from renewable energy sources, particularly solar energy – in the afternoon. Without adequate management, or the development of affordable storage, this could lead to available electricity not getting purchased, which could cause financiers to think twice about funding new renewable power plants. Accelerating time-of-use pricing, which could give Californians greater options for controlling their energy use and ultimately how much they spend on electricity, also could shift use patterns so that appliances could be run and electric vehicles charged when energy supply is high and demand is low.

The Commission also heard that cooperation and collaboration among the energy-related organizations is at an all-time high and that agreements on aligning processes and assumptions used for planning purposes are being memorialized in public documents. The Commission applauds this positive trend, but remains concerned whether the current structure can nimbly address and take advantage of technology-driven changes in the electricity industry.

The Commission remains disappointed that many of the questions it asked in 2012 still have no answers. The state still does not know what its recent energy-related policies will cost in the aggregate, how these policies might affect reliability and whether they are achieving California's environmental and economic goals.

As a result, in its October 23 letter, the Commission reiterates its recommendations from 2012 and commits to revisiting this topic again in 2015. In the letter, the Commission recommends:

- ❑ **The Governor, through executive order, should direct the state's energy organizations to address concerns raised by the Little Hoover Commission in a timely manner, specifically, to assess, how much, in the aggregate, recent major policies related to energy will affect electricity rates and reliability and whether these policies are achieving California's goals.**
- ❑ **The Governor, through a public process, should establish a comprehensive plan to prioritize current and future energy goals. The plan should identify what actions need to be taken and in what order to maximize progress toward the stated goals.**
- ❑ **The Governor and the Legislature should develop a plan to modernize energy governance. Organizational reform ultimately is essential if the state is to realize its manifold energy and environmental goals.**

The Little Hoover Commission is a bipartisan and independent state agency charged with recommending ways to improve the efficiency and effectiveness of state programs. The letter to the Governor and the Legislature and documents from the April 2014 public hearing, including the agenda and written testimony submitted by witnesses, are available on the Commission's website at www.lhc.ca.gov.